

**WRITTEN STATEMENT FOR THE RECORD BEFORE THE U.S. HOUSE
COMMITTEE ON SMALL BUSINESS
UNDER THE MICROSCOPE: EXAMINING FINCEN'S IMPLEMENTATION OF THE
CORPORATE TRANSPARENCY ACT**

April 30, 2024

John Arensmeyer

Founder & CEO, Small Business Majority

Dear Chairman Williams, Ranking Member Velazquez and members of the U.S. House Committee on Small Business:

As a leading representative of America's 33 million small businesses, Small Business Majority is pleased to provide written testimony to the U.S. House Committee on Small Business regarding the U.S. Department of the Treasury's Financial Crimes Enforcement Network's (FinCEN) implementation of the Corporate Transparency Act (CTA).

Small Business Majority is a national small business organization that empowers America's diverse entrepreneurs to build a thriving and equitable economy. From our nine offices across the country, we engage our network of more than 85,000 small businesses and 1,500 business and community organizations to deliver resources to entrepreneurs and advocate for public policy solutions that promote inclusive small business growth. Our work is bolstered by extensive research and deep connections with the small business community that enables us to educate stakeholders about keys issues impacting America's entrepreneurs, with a special focus on the smallest businesses and those facing systemic inequities.

Our rapidly evolving economy has seen a rise in corporate fraud and corruption in recent years, which is why it is critical that our nation's small businesses have the protections necessary to compete on a level playing field. The enactment of the CTA in 2021 was an encouraging first step in addressing this important issue for small businesses, instilling confidence in our job creators and providing greater transparency in business formation. In fact, Small Business Majority's research found that more than two-thirds of small business owners were supportive (77%) of legislative efforts to require businesses to list the identity of their owners.¹ What's more, an additional 76% said they believed that transparency in business formation would benefit small businesses by protecting them from contract fraud and giving them fair access to government set-asides (76% agree).²

The CTA effectively established the Beneficial Ownership Information (BOI) reporting through the U.S. Department of Treasury's FinCEN, a law designed to help prevent and combat money laundering, corruption, and tax fraud. Therefore, Small Business Majority is committed to ensuring small businesses have access to the information and educational resources necessary to comply with FinCEN's BOI reporting requirement, which went into effect on January 1, 2024.

¹ "Small business owners support legislation requiring transparency in business formation." Small Business Majority. April 4, 2018. <https://smallbusinessmajority.org/our-research/government-accountability/small-business-owners-support-legislation-requiring-transparency-business-formation>.

² Ibid.

Small Business Majority conducted nationwide polling to understand the sentiment around BOI reporting, which found that 58% of surveyed entrepreneurs were aware of the new requirement.³ The poll also found that as of January 31, 2024, 44% of business owners had filed the BOI reporting. Of those who had already filed, more than two thirds (68%) said they found it easy to file, and only 18% found it difficult to complete. This underscores the need for more education and awareness around BOI reporting, as a significant number of small businesses are still not aware of FinCEN’s new BOI reporting; with some finding it difficult to file.

To ensure small businesses continue to gain awareness of the new reporting requirements, FinCEN must prioritize outreach campaigns, which should include information about the definition of a reporting company and “beneficial owner,” reporting deadlines, and step-by-step reporting instructions to all relevant parties. We encourage FinCEN to partner with business trade associations and organizations, such as Small Business Majority, to notify small businesses of the new disclosure requirements. Small Business Majority provides easily accessible, straightforward and unbiased education and resources to help small business owners navigate entrepreneurship. In partnership with FinCEN, we can reach small business owners and help guide them through the BOI reporting requirement, and help them understand what information they are required to submit and how they can do so. Optimizing outreach and implementation efforts to reach small businesses, who may not otherwise be aware of the new requirement, will be critical to the success of the disclosure requirement and its anticipated impacts on corporate transparency.

As outlined in our previous comments in response to FinCEN’s 2021 notice of proposed rulemaking (NPRM) for BOI reporting requirements, Small Business Majority encourages FinCEN to prioritize the following recommendations on the rollout of this requirement to reflect the needs of small businesses.⁴

1. Give ample notice to businesses regarding new reporting requirements

Small business owners should be given plenty of opportunities through FinCEN, state and local governments, and business associations partnering with FinCEN, to learn about new disclosure requirements. FinCEN can achieve this through collaboration with other federal entities, such as the Internal Revenue Service and the U.S. Small Business Administration, and state entities, to ensure that businesses receive written and electronic communications notifying them of new reporting requirements.

2. Minimize compliance costs through collaboration with states

FinCEN can minimize small business compliance costs by seamlessly integrating BOI filing into existing state-level incorporation processes. Doing so will require materials and personnel to disseminate information on filing and help states quickly answer questions from filers.

3. Leverage technology to minimize business costs during filing

FinCEN should incorporate modern technology that can ensure consistency and accuracy of information as it is entered into the database. Ensuring real-time accuracy will save businesses from later having to rectify inconsistencies when opening a bank account or applying for a loan, or other financing.

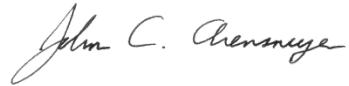
To ensure FinCEN is equipped with the necessary funding and resources to implement BOI reporting and prioritize outreach efforts to small businesses nationwide, we urge Congress to support the President’s FY 2025 budget request of \$216 million for the bureau, a \$26 million increase from the FY 2023 level. We also encourage Congress to set aside a portion of this funding to raise awareness of BOI reporting and to ensure small business owners have what they need to remain in compliance with the new law.

³ “Small business owners share their experiences with new Beneficial Ownership Information reporting requirements.” Small Business Majority. February 15, 2024. <https://smallbusinessmajority.org/our-research/small-business-owners-share-their-experiences-new-business-ownership-information-reporting-requirements>.

⁴ “Comments on the advanced notice of proposed rulemaking for Beneficial Ownership Information reporting requirements.” Small Business Majority. May 4, 2021. <https://smallbusinessmajority.org/sites/default/files/policy-docs/SmallBusinessMajority-Submission-BeneficialOwnership-ANPRM-V3.pdf>.

We thank you for the opportunity to comment on these critical issues and welcome the Committee's efforts to ensure FinCEN is meeting the needs of America's small businesses. For any questions or additional information, please contact Government Affairs Director, Alexis D'Amato at adamato@smallbusinessmajority.org.

Sincerely,

A handwritten signature in black ink that reads "John C. Arensmeyer". The signature is written in a cursive style with a large initial "J" and "A".

John Arensmeyer
Founder & CEO
Small Business Majority